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Economic Research Service, U.S. Department of Agriculture
in cooperation with
Cotton Economic Research, University of Texas
and
Agricultural Economics and Sociology, Texas A & M University

SHIPPERS' COSTS OF ASSEMBLING AND DISTRIBUTING U.S.
COTTON, BY TYPES AND SALES OUTLETS, SEASON 1964-65 1/

Purpose, methods, and limitations of study.--The study covered in part by this report was largely designed to provide current detailed estimates of the major costs of marketing American lint cotton. These and the related data are needed for measuring changes in marketing costs, to help find ways of increasing cotton marketing efficiencies, and for evaluating existing and proposed policies and programs affecting cotton. Information was obtained mainly from a sample of the cotton shipping firms and marketing associations located in the 15 markets designated for establishing official price quotations for U.S. cotton. The cost estimates reflect, within reasonable limits, variations in the kind, amount, rates, and efficiencies of the services involved in assembling cotton, in all 4 regions and important market trading areas of the Cotton Belt, and delivering it to customers throughout the world. This summary includes estimates for all cotton purchased through the Cotton Belt and shipped to 9 specified outlets. (See table on reverse side of this sheet.)

Costs for shipments to all outlets combined.--The weighted average total cost per bale to shippers of assembling and distributing American cotton to all outlets combined during the 1964-65 season was \$17.14. About 49 percent of this total was accounted for by transportation and related costs. The other costs and their approximate percentage of the total were: Carrying costs, 14 percent; compression, 10 percent; overhead, 9 percent; selling, 6 percent; warehouse services other than storage, 6 percent; buying and local delivery, 4 percent; and miscellaneous, 2 percent.

Costs for shipments to domestic outlets.--Shippers' total per bale costs for cotton shipped to all domestic outlets combined averaged about \$13.56. Of this, transportation and carrying costs accounted for about 39 percent and 19 percent, respectively. Shipments to New England mills had the highest average cost for any domestic outlet--\$16.84--and those to Alabama-Georgia mills the lowest--\$11.44. The average for Group 201 mills, to which about one-third of all shipments were made, was \$14.89.

Costs for shipments to foreign outlets.--The estimated costs for shipments to all foreign outlets combined averaged \$23.24 per bale. This is \$9.68, or 71 percent, above the average for shipments to domestic outlets. The average for shipments to Europe and Japan, the 2 largest foreign outlets, was \$21.08 and \$23.77, respectively. The highest estimate--\$29.64--was for cotton which went to India.

The differences in the total costs for the various outlets, domestic and foreign, were largely accounted for by transportation and related services. Of the 9 outlets for which estimates are reported, transportation and related services varied as a percentage of the total cost from 31 to 61 percent. To a relatively small but significant extent, the differences in costs for domestic outlets compared with foreign outlets were also affected by compression cost, including patches and marks, and by selling costs.

1/ A weighted average of estimates by regions and by market trading areas are contained in the following reports: ERS-261 (1965), Southwestern region; ERS-264 (1965), Midsouth region; ERS-266 (1965), Southeastern region; and ERS-271 (1965), Western region.

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